TAU LABS

Prospectus

CBETH DYNAMIC LOOP

Automated leveraged cbETH strategy on Base

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Executive Summary

TAU's cbETH Loop Vault provides capital- and fee-efficient exposure to the cbETH looping strategy, utilizing different lending markets to maximize yield.

The vault recursively borrows WETH against cbETH with a target leverage of up to 10.0x (90% LTV) to capture the rate differential between cbETH yield and borrow rates. It autonomously reallocates between integrated lending markets (Aave, two Morpho markets, Euler) to minimize borrow costs and maximize net APY.

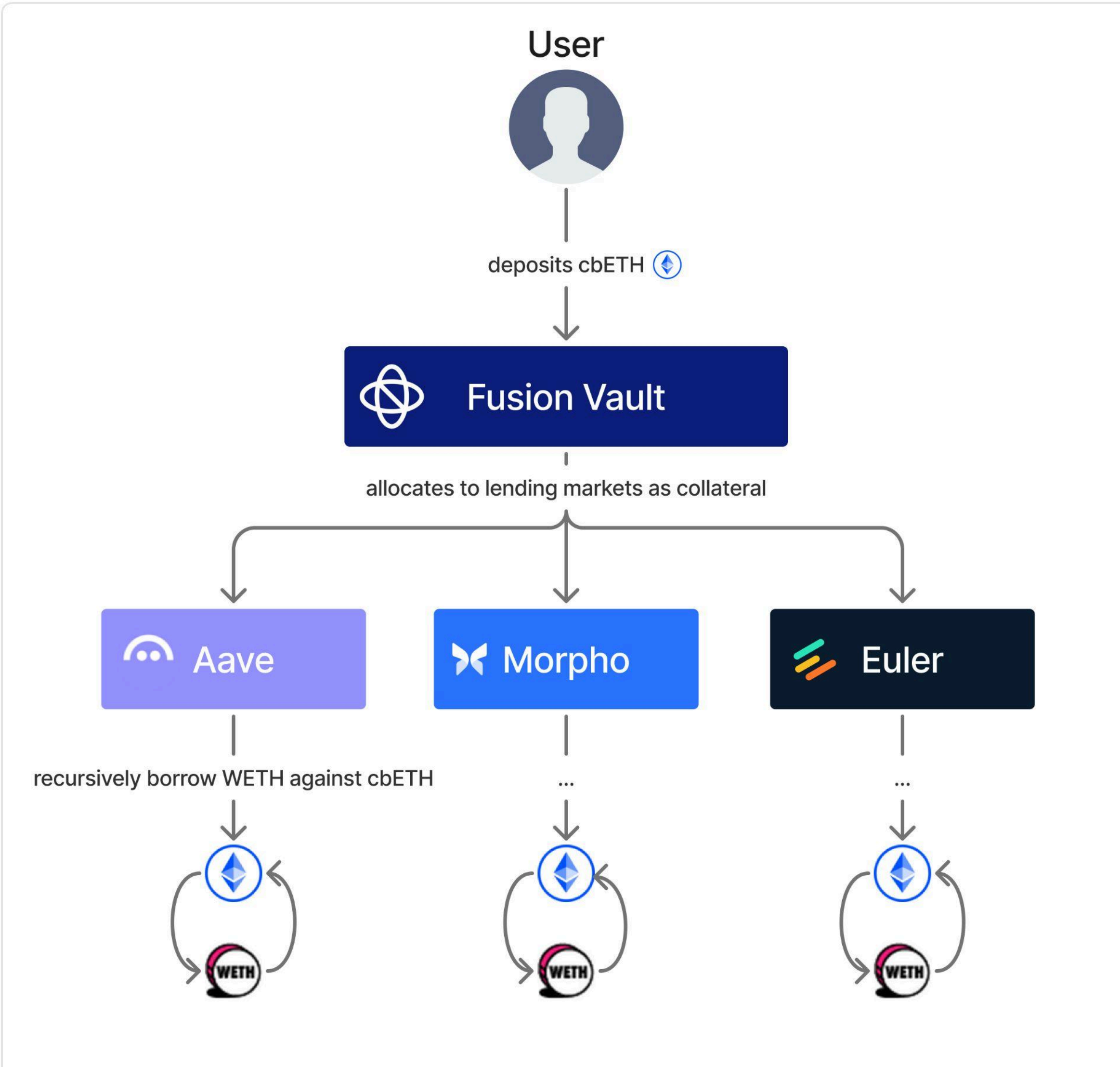
The vault comes with integrated liquidation protection. Lending positions are programmatically deleveraged back to the target LTV (90%).

TAU forecasts a **post-fee organic Vault APY of ~6.18%**, assuming borrow rates normalize back to pre-KelpDAO exploit historical values. Potential incentives increase the total Vault APY for users.

Strategy

How it works

1. User deposits cbETH
2. The vault determines allocations across integrated lending markets that maximize APY
3. The vault deposits cbETH into lending markets and recursively borrows WETH with an LTV of up to 90% (10.0x leverage)



Integrated lending markets

Lending Market	Max LTV	LLTV
Aave V3 Core https://app.aave.com/markets/	93.00%	95.00%
Morpho 1 https://app.morpho.org/base/market/0x84662b4f95b85d6b082b68d32cf71bb565b3f22f216a65509cc2ede7dccdfe8c/cbeth-weth#overview		94.50%
Morpho 2 https://app.morpho.org/base/market/0x6600aae6c56d242fa6ba68bd527aff1a146e77813074413186828fd3f1c		96.50%

dca91/cbeth-weth		
Euler https://app.euler.finance/borrow/0x358f25F82644eaBb441d0df4AF8746614fb9ea49/0x859160DB5841E5cfB8D3f144C6b3381A85A4b410?network=8453	92.00%	94.00%

Parameters

Parameter	Value
Target LTV	90.0%
Deleveraging Trigger (LTV)	91.0% Deleverages the strategy to the target LTV when actual LTV increases to 91.0% Provides a minimum liquidation buffer of 3.91% (for the Euler market with 94.0% LLTV)
Leveraging Trigger (LTV)	89.0% Leverages up the strategy to the target LTV when actual LTV drops to 89%

Yield Forecast

Assumptions

- Weighted borrow rate: 2.27%. Based on historical borrow rates pre-KelpDAO exploit across integrated lending markets
- cbETH Yield (APY): 2.80% (90-day average APY)

Fees

- IPOR Management Fee: 0.6%
- IPOR Performance Fee: 2.00%
- TAU Performance Fee: 8.00%

Yield Forecast

Given the aforementioned assumptions and parameters, organic strategy APY is forecasted at 7.53%, resulting in **6.18% post-fee Vault APY**. Potential Merkl Rewards come on top, thereby increasing vault APY for users.

Alternative Yield Scenarios

Alternative Yield Scenarios (Organic Strategy APY)					
		cbETH Yield			
		2.00%	2.50%	3.00%	3.50%
Weighted borrow rate	1.50%	6.50%	11.50%	16.50%	21.50%
	2.00%	2.00%	7.00%	12.00%	17.00%
	2.50%	-2.50%	2.50%	7.50%	12.50%
	3.00%	-7.00%	-2.00%	3.00%	8.00%

Risk

Assets

- cbETH risks: Smart contract risk, slashing risk

Protocols

- Smart Contract risk of IPOR Fusion, Aave, Morpho, and Euler
- Risk of economic spillover effects on Aave due to rehypothecation (e.g. rsETH)

Strategy

- Liquidation risk: A drop in cbETH's price may result in a liquidation. The relevant liquidation penalty applies, leading to a loss for the vault. Given cbETH's history and the vault's active liquidation protection, liquidation risk is limited.
- Interest rate risk: Borrow rates change based on utilization rates, plus cbETH yield varies, which may turn net yield negative and require deleveraging the strategy.gra
- Liquidity risk: Withdrawals on lending markets may be limited during times of high utilization.